

Message Text

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E.O. 11652: N/A
TAGS: EFIN, IT
SUBJ: ITALY'S BALANCE OF PAYMENTS AND OFFICIAL RESERVES FIRST
HALF 1976

REF: ROME A454

1. AS DETAILED IN REPAIR AND SUMMARIZED IN TABLE BELOW,
THE BALANCE OF PAYMENTS IN FIRST HALF 1976 REFLECTED A SITUATION
DRAMATICALLY WORSE THAN IN THE SAME PERIOD LAST YEAR. THE TOTAL
BALANCE OF PAYMENTS DEFICIT CAME TO ABOUT \$2,920 MILLION COMPARED
TO \$475 MILLION IN FIRST HALF 1975. A WIDE SWING TO AN EXCESS
OF IMPORTS OVER EXPORTS MAINLY ACCOUNTS FOR THIS RESULT.
THE DEFICIT ON MERCHANDISE TRADE WAS \$2,619 MILLION COMPARED
TO \$480 MILLION IN THE SAME PERIOD THE YEAR BEFORE. A SHARP
TURNAROUND IN PRIVATE CAPITAL FLOWS CAUSED BY POLITICAL
UNCERTAINTIES ALSO CONTRIBUTED TO THIS DETERIORATION.

2. THE LIRA DEPRECIATED SHARPLY BY ABOUT 19 PERCENT AGAINST THE
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DOLLAR FROM END 1975 TO END JUNE 1975. THE MONETARY AUTHORITIES

SPENT ABOUT \$1,200 MILLION IN SUPPORT OF THE LIRA DURING THE FIRST QUARTER 1976. (DURING PART OF THE PERIOD THE CENTRAL BANK SUSPENDED OFFICIAL EXCHANGE MARKET INTERVENTION.) BALANCE OF PAYMENTS FINANCING DURING THE PERIOD CONSISTED, IN PART, OF \$500 MILLION UNDER A FEDERAL RESERVE SWAP LINE OF \$750 MILLION, \$500 MILLION BY RESTORING THE BUNDESBANK GOLD LOAN TO ITS ORIGINAL VALUE, AND \$1 BILLION FROM AN EC JOINT BORROWING IN THE EUROMARKET.

3. /BALANCE OF PAYMENTS 1ST HALF 1976 (MILLIONS OF DOLLARS)/

	1ST HALF 1975	1ST HALF 1976	
CURRENT ACCOUNT		-325.4	-2,747.8
CAPITAL ACCOUNT		44.2	-296.4
(COMPENSATORY EUROMARKET)		(-420.0)	(-100.0)
ERRORS AND OMISSIONS		-194.0	124.5
DEFICIT (RECORDED)		-475.2	-2,919.7
DEFICIT (ADJUSTED BY EUROMARKET)		-55.2	-2,819.7

/MONETARY MOVEMENTS/ (1)

NET OFFICIAL RESERVES		264.0	97.8
MEDIUM AND LONG-TERM POSITION		-221.9	1,389.3
FOGEIGN POSITION OF COMMERCIAL BANKS	473.4	1,197.3	
ADJUSTMENT	-40.3	235.3	

	475.2	2,919.7	

1) A PLUS SIGN MEANS A DECREASE IN ASSETS AND AN INCREASE IN LIABILITIES. A MINUS SIGN MEANS AN INCREASE IN ASSETS AND A DECREASE IN LIABILITIES.VOLPE

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